

## Message Text

SECRET

PAGE 01 LIMA 06860 162252Z

70

ACTION PM-07

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 INR-11 NSAE-00

RSC-01 NSC-07 SP-03 SS-20 L-03 IGA-02 MC-02 EB-11

OMB-01 TRSE-00 DRC-01 /106 W  
----- 098571

R 162220Z AUG 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1508

SECDEF WASHDC

JCS

USCINCSO

S E C R E T LIMA 6860

EO 11652 GDS

TAGS: EGEN, MASS, PE

SUBJ: SECURITY ASSISTANCE OBJECTIVES AND GUIDELINES FOR PERU

REF: STATE 31505; LIMA 5010

1. THIS CABLE EXPANDS UPON AND CORRECTS DATA SUBMITTED IN LIMA 5010. REFERENCES ARE KEYED TO PARAGRAPHS OF THAT CABLE.

2. PARA 6. PERUVIAN MILITARY BUDGET FOR DEFENSE EXPENDITURES FOR THE BIENNIUM 1973-1974, \$520 MILLION, REPRESENTS 3.3 PERCENT OF GNP RATHER THAN 6.9 PERCENT AS REPORTED LIMA 5010. MILITARY BUDGET REPRESENTS 13.8 PERCENT OF TOTAL BIENNIAL BUDGET AS ORIGINALLY REPORTED. ESTIMATE THAT 20 PERCENT OF TOTAL MILITARY BUDGET HAS BEEN SPENT ON NEW FOREIGN MILITARY EQUIPMENT AND MATERIAL PURCHASES WAS MADE BY EXTRAPOLATING FROM THE MOST RECENTLY AVAILABLE MILITARY BUDGET BREAKDOWN PUBLISHED IN 1970. APPLYING THIS 20 PERCENT FIGURE TO THE \$520 MILLION PUBLISHED MILITARY BUDGET INDICATES \$104 MILLION FOR FOREIGN PURCHASES--ABOUT \$50 MILLION PER YEAR. THE \$50 MILLION FIGURE FOR PURCHASES THROUGH THE FMS SYSTEM WAS OBTAINED BY ROUNDING OFF THE \$51.2 MILLION OF PURCHASES MADE SINCE SECRETARY ROGERS' MAY 1973 VISIT TO PERU.

SECRET

SECRET

PAGE 02 LIMA 06860 162252Z

PURCHASES THROUGH CALENDAR 1974 MAY, IN FACT, INCREASE

THIS FIGURE. POSSIBLE FUTURE FMS SALES IN THE NEIGHBORHOOD OF \$130-\$140 MILLION ARE IN VARIOUS STAGES OF DISCUSSION.

3. PARA 7. WE TRIED TO ESTIMATE WHAT PROPORTION OF PERU'S FOREIGN BORROWINGS WAS FOR FINANCING OF MILITARY PURCHASES. USING THE 1971-1973 TOTALS OF \$1.05 BILLION IN FOREIGN BORROWINGS, \$364 MILLION IN FOREIGN MILITARY PURCHASE CONTRACTS SIGNED, AND \$191 MILLION IN ACTUAL DELIVERIES, AND ASSUMING THAT ALL MILITARY PURCHASES WERE FINANCED RATHER THAN PAID ON A CASH BASIS, THEN 20-35 PERCENT OF PERU'S BORROWINGS WAS FOR THE PURPOSE OF BUYING MILITARY EQUIPMENT.

4. PARA 8. THE CHART LISTING PURCHASES CONTRACTED AND DELIVERIES IN 1971-73 WAS OBTAINED BY ROUNDING OFF FIGURES GIVEN IN "FOREIGN MILITARY ASSISTANCE (FOMA)" PUBLISHED BY DIA IN JANUARY, 1974. EMBASSY IS NOT CERTAIN THAT THE \$200 MILLION ITALIAN FRIGATE CONTRACT CITED IN THE FOMA HAS ACTUALLY BEEN SIGNED. THIS REPRESENTS A SUBSTANTIAL PART OF THE 280 MILLION FIGURE FOR PURCHASES CONTRACTED IN 1973. IN COLLATING OUR OWN FIGURES FOR FOREIGN MILITARY PURCHASES MADE AND PLANNED, WE HAVE BEEN UNABLE TO DISCOVER HOW OUR U.S. BANKING SOURCE ARRIVED AT HIS ESTIMATE OF \$600 MILLION OF FOREIGN MILITARY PURCHASES TO BE MADE IN 1974. ACCORDING TO OUR FIGURES, THERE ARE OVER \$124 MILLION OF THIRD COUNTRY MILITARY PURCHASES UNDER DISCUSSION OR IN VARIOUS STATES OF NEGOTIATIONS AND \$130-\$140 MILLION OF MILITARY PROCUREMENT UNDER CONSIDERATION OR NEGOTIATION FOR PURCHASE THROUGH THE FMS SYSTEM. IN ADDITION, THERE ARE POSSIBLY SUBSTANTIAL PURCHASES ABOUT WHICH WE HAVE NO FIRM INFORMATION.

5. COMMENT: DEPARTMENT SHOULD NOTE THAT ALL FOREGONG FIGURES ARE BASED ON AT BEST INCOMPLETE INFORMATION AND CAN BY NO MEANS BE CONSIDERED DEFINITIVE. PERU CLEARLY CONTINUES TO HAVE AN IMPRESSIVE FORCE MODERNIZATION IN MIND, AND ACQUISITION COSTS, AS PLANS MATERIALIZE, WILL CERTAINLY BE LARGE.

DEAN

SECRET

SECRET

PAGE 03 LIMA 06860 162252Z

SECRET

NNN



## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MILITARY EXPENDITURES, MILITARY EQUIPMENT, MILITARY POLICIES, MILITARY CREDIT, MILITARY SALES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 AUG 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** izenbei0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974LIMA06860  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740226-0814  
**From:** LIMA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740842/aaaabjkt.tel  
**Line Count:** 107  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION PM  
**Original Classification:** SECRET  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** SECRET  
**Previous Handling Restrictions:** n/a  
**Reference:** STATE 31505; LIMA 5010  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** izenbei0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20 SEP 2002 by cunninfx>; APPROVED <21 FEB 2003 by izenbei0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SECURITY ASSISTANCE OBJECTIVES AND GUIDELINES FOR PERU  
**TAGS:** EGEN, MASS, PE  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005